

**DOUGLASS TOWNSHIP**

**FINANCIAL STATEMENT  
DECEMBER 31, 2017**

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**BUSBY FORD & REIMER, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS

**DOUGLASS TOWNSHIP  
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DECEMBER 31, 2017**

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# BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### **Board of Trustees Douglass Township**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of **Douglass Township, Kansas**, as of and for the year ended **December 31, 2017**, and the related notes to the financial statement.

#### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Board of Trustees  
Douglass Township**

*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

As described in Note 1 of the financial statement, the financial statement is prepared by **Douglass Township, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

*Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Douglass Township, Kansas**, as of **December 31, 2017**, or changes in financial position and cash flows thereof for the year then ended.

*Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Douglass Township, Kansas**, as of **December 31, 2017**, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedule of regulatory basis receipts and expenditures-actual and budget, and individual fund schedules of regulatory basis receipts and expenditures-actual (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

**Board of Trustees  
Douglass Township**

The 2016 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2016 basic financial statement upon which we rendered an unmodified opinion dated October 6, 2017. The 2016 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note 1.

***Busby Ford & Reimer, LLC***

Busby Ford & Reimer, LLC  
September 4, 2018

**DOUGLASS TOWNSHIP  
SUMMARY OF CASH RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 229,352	\$ 0	\$ 126,978	\$ 135,752	\$ 220,578	\$ 0	\$ 220,578
Special Purpose Funds							
Road	181,395	0	68,511	126,246	123,660	0	123,660
Library	0	0	8,886	8,886	0	0	0
Machinery	71,185	0	30,000	86,653	14,532	0	14,532
FEMA	50,917	0	0	27,355	23,562	0	23,562
	<u>\$ 532,849</u>	<u>\$ 0</u>	<u>\$ 234,375</u>	<u>\$ 384,892</u>	<u>\$ 382,332</u>	<u>\$ 0</u>	<u>\$ 382,332</u>

Composition of Cash:                      Checking                      \$ 382,332

The notes to the financial statement are an integral part of this statement.

**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**Note 1 - Summary of Significant Accounting Policies:**

Financial Reporting Entity

Douglass Township is a municipal corporation governed by an elected three member Board of Trustees. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Presentation – Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The Township has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

**KMAAG Regulatory Basis of Presentation Fund Definitions:**

**Governmental Funds**

General Fund-the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds-To account for the proceeds of specific tax levies and other specific revenue sources (other than major Capital Projects and tax levies for long-term debt) that are intended for specific a purpose.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.



**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017**

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2017.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Township for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the following special purpose fund:

Machinery Fund

FEMA Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.



**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**Note 2 - Deposits:**

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Township has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may be returned to it. State statutes require the Township's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2017.

At December 31, 2017, the Township's carrying amount of deposits was \$382,332 and the bank balance was \$406,033. The bank balance is held in one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$156,033 was collateralized with securities held by the pledging financial institution's agent in the Township's name.

**Note 3 - Contingencies:**

Grant Programs

The Township participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**Note 4 - Compensated Absences:**

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the Township to record vacation and sick leave benefits as expenditures when paid.

**Note 5 - Reimbursed Expenses:**

The Township records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

**Note 6 - Postemployment Benefits:**

The Township did not provide any significant postemployment benefits for former employees at December 31, 2017.

**Note 7 - Interfund Transactions:**

		Transfer To:
Transfer from:	Statutory Authority	Machinery
Road Fund	K.S.A. 68-141g	\$ 15,000
General Fund	K.S.A. 80-122	15,000
		<u>\$ 30,000</u>

**Note 8 - Subsequent Events:**

The Township has evaluated subsequent events through September 4, 2018, the date which the financial statement was available to be issued.

**REGULATORY REQUIRED  
SUPPLEMENTARY INFORMATION**

**DOUGLASS TOWNSHIP**  
**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 202,834	\$ 0	\$ 202,834	\$ 135,752	\$ (67,082)
Special Purpose Funds					
Road	195,000	0	195,000	126,246	(68,754)
Library	10,000	0	10,000	8,886	(1,114)
Machinery	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	86,653	XXXXXXXXXX
FEMA	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	27,355	XXXXXXXXXX
	<u>\$ 407,834</u>	<u>\$ 0</u>	<u>\$ 407,834</u>	<u>\$ 384,892</u>	<u>\$ (136,950)</u>

**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -**  
**ACTUAL AND BUDGET**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

<u>General Fund</u>	<u>Current Year</u>			Variance - Favorable Over (Under)
	Prior Year			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Ad valorem tax	\$ 87,661	\$ 103,446	\$ 109,109	\$ (5,663)
Delinquent tax	3,617	3,180	0	3,180
Motor vehicle tax	13,751	12,847	11,163	1,684
Recreational Vehicle Tax	0	0	173	(173)
16/20 M Vehicle	495	337	404	(67)
Other Income	9,616	6,674	309	6,365
Interest Earned	215	494	0	494
	<u>115,355</u>	<u>126,978</u>	<u>\$ 121,158</u>	<u>\$ 5,820</u>
Expenditures				
Building	14,642	20,425	\$ 51,988	\$ (31,563)
Officers Pay	0	0	19,500	(19,500)
Contract Labor, Road Materials, Fuel	1,400	12,762	72,858	(60,096)
Salaries & Wages	19,553	21,026	0	21,026
Employee Benefits	0	0	3,000	(3,000)
Supplies	441	9,825	0	9,825
Utilities & Rent	7,487	5,677	2,200	3,477
Insurance	0	0	6,000	(6,000)
Cemetery	0	0	41,988	(41,988)
Professional Fees	0	0	5,300	(5,300)
Other	21,607	51,037	0	51,037
Transfers	0	15,000	0	15,000
	<u>65,130</u>	<u>135,752</u>	<u>\$ 202,834</u>	<u>\$ (67,082)</u>
Receipts Over (Under) Expenditures	50,225	(8,774)		
Unencumbered Cash, Beginning	179,127	229,352		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 229,352</u>	<u>\$ 220,578</u>		

**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -**  
**ACTUAL AND BUDGET**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

<u>Road Fund</u>	<u>Current Year</u>			Variance - Favorable Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Ad valorem tax	\$ 99,391	\$ 47,831	\$ 47,919	\$ (88)
Delinquent tax	2,183	3,384	0	3,384
Motor vehicle tax	12,338	11,686	10,727	959
County highway tax	5,494	4,971	4,706	265
Other Income	0	639	1,576	(937)
	<u>119,406</u>	<u>68,511</u>	<u>\$ 64,928</u>	<u>\$ 3,583</u>
Expenditures				
Salaries & Wages	0	0	\$ 81,960	\$ (81,960)
Payroll Expense	22,891	22,387	0	22,387
Repairs/Maintenance	3,977	14,190	32,000	(17,810)
Road materials	108,223	62,837	44,450	18,387
Insurance/Office Supplies	10,393	11,832	11,228	604
Fuel	0	0	25,362	(25,362)
Transfers	0	15,000	0	15,000
	<u>145,484</u>	<u>126,246</u>	<u>\$ 195,000</u>	<u>\$ (68,754)</u>
Receipts Over (Under) Expenditures	(26,078)	(57,735)		
Unencumbered Cash, Beginning	207,473	181,395		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 181,395</u>	<u>\$ 123,660</u>		

**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -**  
**ACTUAL AND BUDGET**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

<u>Library Fund</u>	<u>Current Year</u>			Variance - Favorable Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Ad valorem tax	\$ 7,891	\$ 7,641	\$ 7,703	\$ (62)
Delinquent tax	225	265	0	265
Motor vehicle tax	806	935	2,058	(1,123)
Other	60	45	163	(118)
	<u>8,982</u>	<u>8,886</u>	<u>\$ 9,924</u>	<u>\$ (1,038)</u>
Expenditures				
Douglass Public Library	<u>9,083</u>	<u>8,886</u>	<u>\$ 10,000</u>	<u>\$ (1,114)</u>
	<u>9,083</u>	<u>8,886</u>	<u>\$ 10,000</u>	<u>\$ (1,114)</u>
Receipts Over (Under) Expenditures	(101)	0		
Unencumbered Cash, Beginning	101	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		



**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

<u>Machinery Fund</u>		
	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers	\$ 0	\$ 30,000
	<u>0</u>	<u>30,000</u>
Expenditures		
Equipment	<u>96,689</u>	<u>86,653</u>
	<u>96,689</u>	<u>86,653</u>
Receipts Over (Under) Expenditures	(96,689)	(56,653)
Unencumbered Cash, Beginning	167,874	71,185
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 71,185</u>	<u>\$ 14,532</u>

**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

<u>FEMA Fund</u>	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal program	\$ 50,908	\$ 0
	<u>50,908</u>	<u>0</u>
Expenditures		
Gravel	<u>0</u>	<u>27,355</u>
	<u>0</u>	<u>27,355</u>
Receipts Over (Under) Expenditures	50,908	(27,355)
Unencumbered Cash, Beginning	9	50,917
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 50,917</u>	<u>\$ 23,562</u>